



SBA Information Notice

TO: All Employees

CONTROL NO.: 5000-1001

SUBJECT: Deferments for SBA 7(a) and 504 Loans to
Small Businesses Adversely Affected by
Flooding in the Midwest

EFFECTIVE: 7/2/2008

During May and June, 2008, certain counties in Iowa, Indiana, and Wisconsin have been declared federal disaster areas due to severe storms, flooding and tornadoes. Additionally, there are pending requests for federal disaster declarations for certain counties in Illinois, Kansas, Missouri, Nebraska and South Dakota as a result of the same weather events. (A listing of current declarations may be found at <http://www.sba.gov/services/disasterassistance/basics/recentdisaster>. This listing is updated on a regular basis.)

The purpose of this notice is to strongly encourage participating 7(a) lenders and Certified Development Companies (CDCs) to provide deferment relief for borrowers with lender-serviced SBA-guaranteed 7(a) loans and CDC-serviced 504 loans in the declared disaster areas and contiguous counties. Contiguous counties for the currently-declared disaster areas include those in Illinois, Kentucky, Ohio, Minnesota, Missouri and Nebraska. In addition, district offices and servicing centers should remind lenders and CDCs of the need to accommodate borrowers adversely affected by these federally-declared major disasters.

Since many SBA-guaranteed 7(a) loans are sold in the secondary market, it is also important to note that lenders can provide one deferment of three consecutive monthly payments without requesting approval from the secondary market purchaser. If a deferment longer than three consecutive monthly payments is needed for a loan sold in the secondary market, the lender should send a request to Colson Services Corp., the Fiscal and Transfer Agent (FTA), and request a deferment for the additional time the lender believes is necessary for the borrower to regain the ability to make monthly loan payments. The FTA will contact the investor and request a deferment.

Guidance regarding SBA procedures for deferments of 7(a) and 504 loans can be found in SOP 50 50 (4), Chapter 4, Para. 13.f., Chapter 5, Para. 8 and Chapter 8, Para. 8.c.(3). Additional guidance for providing assistance to existing borrowers who have suffered a total or near total physical loss in a declared disaster can be found in SOP 50 50 (4), Chapter 5, Para. 29. If you have questions regarding this policy, please contact Gail Hepler in the Office of Financial Assistance by e-mail at gail.hepler@sba.gov.

Grady B. Hedgespeth
Director
Office of Financial Assistance

EXPIRES: 7/1/2009

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SBA Form 1353.2 (12-93) MS Word Edition; previous editions obsolete
Must be accompanied by SBA Form 58